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SUBJECT: ITALY BLOCKS SALE OF YACHTS TO N. KOREA,
IMPLEMENTS 1874

REF: STATE 66250

Classified By: Econ Counselor William R. Meara
for reasons 1.4 (b) and (d).Q1. (C) On 15 July Econoff delivered reftel demarche concerning implementation of UNSCR 1874 financial measures against North Korea to Maria Ivana Cardillo, a sanctions officer at the Italian Ministry of Finance. Cardillo had no substantive response at the time but took great interest in Post's emphasis on the ban on the supply, sale or transfer of luxury goods to North Korea, as well as the need to issue advisory notices to banks and other financial institutions about North Korea's deceptive financial practices. Cardillo said she would share these provisions with the Ministry of Economic Development.

¶2. (U) On 23 July Italy blocked the sale of two luxury yachts, worth \$18 million, that were to be sold to Kim Jong-Il, in violation of UN sanctions. Colonel Antonio Leone of Italy's financial police was quoted in press reports as saying, "It is an irrefutable fact (that Kim was the intended final recipient of the vessels)." North Korea had used an Austria intermediary, a passthrough Chinese company, and a Hong Kong business to camouflage its business with the Azimut-Benetti boatyard. The yachts were initially seized by Italy's Ministry of Economic Development, but have since been returned to the boatyard, which was allowed to keep the deposit.

¶3. (C) Comment: As one of the world's largest exporters of luxury goods Italy has unusually strong influence on the success or failure of UNSCR 1874 implementation; Post is pleased to see evidence of Italian commitment to these financial measures.

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